

## Message Text

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PAGE 01 REYKJA 00580 242203 Z

64

ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

COA-02 COME-00 INT-08 EB-11 RSR-01 /112 W

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P 241930 Z MAY 73

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC PRIORITY 3648

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON PRIORITY

AMEMBASSY OSLO 611

USMISSION NATO PRIORITY

CINCLANT PRIORITY

COMICEDEFOR PRIORITY

DOD

JCS ISA

C O N F I D E N T I A L REYKJAVIK 0580

E. O. 11652: GDS

TAGS: MARR

IC PINT PBOR

SUBJECT: SURVIVAL PROSPECTS OF PRESENT ICELANDIC

COALITION GOVERNMENT

REF: STATE 078049

1. SUMMARY: PRIOR TO BRITISH NAVAL ACTION MAY 19 IN ICELANDIC FISHERIES DISPUTE PROGNOSIS WAS THAT PRESENT GOVT COALITION WOULD FALL BY AUTUMN 1973 BECAUSE OF ECONOMIC DISUATION UNLESS FISHERIES DISPUTE ESCALATED IN WHICH CASE GOVT WOULD SURVIVE INTO CALENDAR 1974. RESPONSIBLE OPINION LEADERS ARE PRETTY CLOSE TO UNANIMITY THAT BRITISH ACTION HAS NOW STRENGTHENED PRESENT GOVT. IF ELECTION WERE HELD TODAY, THEY WOULD BE RE-TURNED WITH INCREASED NUMBERS.

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PAGE 02 REYKJA 00580 242203 Z

END SUMMARY.

2. BRITISH DECISION TO SEND NAVAL PROTECTION FOR TRAWLERS WITHIN ICELAND'S CLAIMED FISHERIES JURISDICTION LIMIT HAS MOBILIZED PUBLIC OPINION BEHIND GOVERNMENT AS NO OTHER ACTION COULD HAVE DONE. ALTHOUGH GOI DECISION TO EXTEND LIMIT TO 50 MILES WAS MADE BY UNANIMOUS ALTHING VOTE, DIFFERENCES OF OPINION ON CONDUCT OF ISSUE HAVE EMERGED IN INTERVENING MONTHS. THEY ARE NOW BEING SUPPRESSED, WITH GOVERNMENT AND OPPOSITION ALIKE EMPHASIZING NECESSITY FOR SOLIDARITY. LATEST DEVELOPMENT NOT BEING VIEWED BY PUBLIC AS RESULT OF ICELANDIC PROVOCATION, BUT SOLELY AS UK VIOLATION OF ICELANDIC SOVEREIGNTY UNDERTAKEN TO SERVE SPECIAL BRITISH INTERESTS AND WITH HIGHLY QUESTIONABLE LEGAL JUSTIFICATION.

3. NEARLY UNIVERSAL ACCEPTANCE OF FOREGOING INTERPRETATION HAS GIVEN GOI UNIQUE OPPORTUNITY TO POSE AS STALWART DEFENDER OF ICELAND'S NATIONAL INTEREST AND SOVEREIGNTY. PRIME MINISTER'S STATEMENT THAT NEGOTIATIONS WITH BRITISH CANNOT TAKE PLACE WHILE ROYAL NAVY IS WITHIN 50 MILES HAS SUPPORT OF ALL POLITICAL PARTIES. COMMUNIST-DOMINATED PEOPLE'S ALLIANCE FIGURES, LED BY FISHERIES MINISTER JOSEFSSON, HAVE TAKEN LINE THAT NAVAL INTERVENTION DEMONSTRATES BANKRUPTCY OF BRITISH POLICY AND ASSURES EVENTUAL VICTORY FOR ICELAND. ARGUMENT IS THAT ANY COMPROMISE WITH BRITISH WOULD HAVE GIVEN AWAY TOO MUCH. JOSEFSSON'S HARD LINE, INSISTING UPON ICELANDIC DEMANDS REMAINING INTACT, HAS, ACCORDING TO HIM, FORCED BRITISH TO TAKE DESPERATE ACTION WHICH CAN ONLY LEAD TO CONDEMNATION BY WORLD OPINION. OPPOSITION ARGUMENTS THAT GOI SEND REPRESENTATIVE TO HAGUE WHICH WOULD HAVE AVOIDED CONFRONTATION ARE USELESS IN CHANGED CLIMATE AND COULD BE VIEWED BY MANY AS UNPatriotic. WITH ISSUE PRESENTED IN SUCH BLACK-WHITE TERMS, OPPOSITION HAS NO CHOICE BUT TO GIVE GOVERNMENT ITS SUPPORT.

4. THE NEW-FOUND STABILITY OF PRESENT GOVERNMENT CAN MEAN TROUBLE FOR IDF RETENTION ISSUE. WITH OPPOSITION LOCKED INTO UNITY WITH GOVERNMENT ON FISHING LIMITS, IT ALSO RISKS BEING CARRIED ALONG ON THE NATO-IDF QUESTION. WHEN ICELAND'S SOVEREIGNTY IS REGARDED AS BEING THREATENED, OUTSPOKEN SUPPORT FOR AN ALLIANCE (NATO) WHICH INCLUDES THE THREATENING STATE (UK) AND HAS AS YET TAKEN NO ACTION TO RE-

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PAGE 03 REYKJA 00580 242203 Z

SOLVE THE CONFLICT, IS POLITICALLY IMPOSSIBLE. MEMBERS OF THE OPPOSITION INDEPENDENCE PARTY, WHICH IS MOST PRO-NATO AND PRO-US, HAVE INFORMED US OF THEIR INCREASING CONCERN OVER ADVERSE EFFECTS OF BRITISH ACTION ON RENEGOTIATION OF IDF AGREEMENT AND EVEN ON CONTINUED NATO MEMBERSHIP IN THE LONG RUN. AN EDITOR OF THE INDEPENDENCE PARTY DAILY MORGUNBLADID HAS SAID THAT PLANNED EFFORT BY PARTY LEADERS TO MOBILIZE SUPPORT

FOR NATO AND IDF AT REGIONAL MEETINGS DURING MONTH OF JUNE HAS NOW BEEN CANCELLED BECAUSE OF POLITICAL RISK. ANY SUCH ATTEMPT WILL HAVE TO BE POSTPONED AT LEAST UNTIL PRESENT EMOTIONAL FAVOR HAS COOLED AND, DEPENDING ON GOI HANDLING OF ISSUE AND NATO REACTION, PERHAPS INDEFINITELY.

5. WITH GOI HAVING UPPER HAND IN FISHING AND DEFENSE ISSUES FOR NOW, ONLY OTHER ISSUE WHICH THREATENS ITS EXISTENCE IS INTERNAL ECONOMIC MANAGEMENT. AS INDICATED IN PREVIOUS REPORTING, SERIOUS ECONOMIC PROBLEMS CAN NOW BE POSTPONED SAFELY UNTIL FALL AND ELECTORATE WILL PROBABLY ACCEPT CONSIDERABLE ECONOMIC MISMANAGEMENT IF PRESENT EMOTIONAL CLIMATE CONTINUES.

6. OPPOSITION HAD COUNTED ON GRADUAL INCREASE IN DISASTROUS FACTION WITH COALITION ON ALL THREE MAJOR ISSUES, ( FISHERIES, DEFENSE AND ECONOMY) PLUS TIME TO DEVELOP VALID ALTERNATIVE POLICIES, BEFORE A COLLAPSE OF THE COALITION AND RESULTANT ELECTIONS. GROUND HAS NOW BEEN CUT FROM UNDER IT BY EVENTSEMITTING

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COPENHAGEN  
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